

Message Text

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ACTION ARA-14

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INFO AMEMBASSY LONDON
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O. 11652: N/A
TAGS: EAGR, BR
SUBJ: COFFEE - AN UPDATE FROM THE IBC

FOLLOWING TELEGRAM PREPARED BY AMCONSUL RIO DE JANEIRO:

1. CONGEN RIO E/C OFFICER CALLED ON MAURO MALTA, COORDINATOR FOR ECONOMIC STUDIES FOR THE BRAZILIAN COFFEE INSTITUTE (IBC), TO SEEK LATEST FIGURES IBC HAS ON COFFEE STOCKS AND TO DISCUSS COFFEE OUTLOOK FOR THE NEXT SEVERAL MONTHS. MALTA WAS FORTHCOMING WHEN ASKED FOR DATA ON STOCKS AND DOMESTIC CONSUMPTION. HE ESTIMATED BRAZIL'S STOCK POSITION ON JANUARY 1ST, 1978, TO BE BETWEEN 20.4 AND 22.4 MILLION BAGS. MALTA EMPHASIZED THAT THIS WAS A PRELIMINARY ESTIMATE.
FYI: FAS ESTIMATE OF BRAZILIAN STOCK POSITION AT YEAR END WAS 19.7 MILLION BAGS. END FYI. MALTA THEN SAID THAT THE FINAL INTERNAL CONSUMPTION FIGURE FOR 1977 WOULD BE ONLY marginally HIGHER THAN 1976'S 6.4 MILLION BAGS (A TEN YEAR LOW). HE SAID IT WOULD DEFINITELY BE LESS THAN 7 MILLION BAGS.

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2. MALTA, WHEN QUESTIONED ABOUT JANUARY SALES, SAID THEY WERE VERY LOW ("MUITO BAIXO")M HE EXPRESSED SUPRISE AT THE ROASTERS' CONTINUED ABILITY TO STAY OUT OF THE MARKET WITH STOCKS OF "UNDER TWO MILLION BAGS." HOWEVER, HE POINTED OUT THAT, AMONG OTHERS, GENERAL FOODS AND FOLGERS HAD RECENTLY MADE PURCHASES OF BRAZILIAN COFFEE (55,000 BAGS BY GENERAL FOODS

AND 25,000 BAGS BY FOLGERS, ACCORDING TO FEBRUARY 14 PRESS REPORTS). WHEN ASKED FOR HIS SALES FORECAST FOR THE REMAINDER OF THE FIRST SEMESTER, MALTA DECLINED TO GUESS. HE SAID THAT THE MARKET WOULD BE SUBJECT TO WIDE DAILY VARIATIONS.

3. COMMENT: MALTA'S DEMEANOR HAD CHANGED MARKEDLY FROM THE CONFIDENCE AND OPTIMISM HE EXPRESSED AT AN EARLY DECEMBER LUNCHEON. HIS RELUCTANCE TO PREDICT HIGHER PREICES AND INCREASING SALES CONTRASTS SHARPLY WITH HIS (AND THE IBC'S STATEMENTS LATE LAST YEAR THAT THE ROASTERS WITH THE COLD, HIGH-CONSUMPTION MONTHS UPON THEM WOULD HAVE TO RETURN TO THE MARKET. THE IBC, BY INSISTING ON A MINIMUM EXPORT PRICE (DURING THE SECOND SEMESTER OF 1977) HEGHER THAN THE MARKET PRICE AND THUS SELLING VERY LITTLE COFFEE IN LAST EIGHT MONTHS, WAS (AND TO SOME EXTENT, STILL IS CLEARLY GAMBLING ON A SIGNIFICANT PRICE RISE.
CRIMMINS

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